

## Message Text

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ORIGIN EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 ISO-00 FMC-01 OMB-01

L-02 CIAE-00 COME-00 DODE-00 DOTE-00 INR-07 NSAE-00

CG-00 OFA-01 DLOS-03 SS-15 NSC-05 SP-02 CIEP-01 PA-01

PRS-01 USIA-06 TRSE-00 /084 R

DRAFTED BY EB/TT/MA:SVSMITH:BST

APPROVED BY EB/TT/MA:RK BANK

EB/TT:RJWALDMANN

EB/TA:WGBARRACLOUGH (PARA 4)

FMC:WJS MITH

EA/PHL:BAFLECK

EA/ANP:HLANGE (SUBS)

EUR/RPE:JTARRANT (DRAFT)

ARA/PAN:DPEASCHOCK (SUBS)

EA/J:DGBROWN (SUBS)

----- 126205

P R 191720Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY MONROVIA

AMEMBASSY OSLO

AMEMBASSY PANAMA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AMEMBASSY HELSINKI

AMEMBASSY ATHENS

INFO USMISSION EC BRUSSELS

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USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EWWT, EEWHT, ETRD, RP

SUBJECT: SHIPPING: PHILIPPINE DISCRIMINATORY MEASURES

REF: A) MANILA 3041; B) MANILA 2937; C) MANILA 2498;  
STATE 48320; E) STATE A-8430, NOV. 8, 1974

1. SUMMARY. GOP DECREE 667 MAY RESULT IN SECTION 19 ACTION BY U.S. FEDERAL MARITIME COMMISSION (FMC), AND ACTION BY USG PURSUANT TO 1974 TRADE ACT. EMBASSY MANILA REQUESTED TO FOREWARN GOP OF THESE POSSIBLE ACTIONS AND SEEK WITHDRAWAL OF THE NEW GOP TAX PROVISION. END SUMMARY.

2. US SHIPPING LINES, ALREADY ANNOYED BY 2 1/2 PERCENT GOP TAX ON BILLINGS OF FOREIGN CARRIERS, HAVE HIT THE CEILING AS A RESULT OF DECREE NO. 667 REPORTED MANILA 3041 AND MANILA 2937. DEPARTMENT AND FMC RECEIVING STRONG REPRESENTATIONS FROM U.S. SHIPPING LINES TO DO SOMETHING ABOUT LATEST PHILIPPINE MEASURE. THE PRESIDENT AND SECRETARY OF THE AMERICAN INSTITUTE OF MERCHANT SHIPPING (AIMS) CALLED UPON DEPARTMENT'S DIRECTOR OF MARITIME AFFAIRS TO INDICATE EXTREME CONCERN OF AIMS' MEMBERSHIP WITH PHILIPPINE DECREE.

3. THE DEPARTMENT HAS BEEN INFORMED THAT THE FMC SUMMONED CONCERNED U.S.-FLAG LINES TO MEETING MAR. 19 TO FURTHER OBTAIN THEIR VIEWS. WHILE IT IS NOT CERTAIN, FMC, AS A RESULT OF THIS MEETING AND PROTESTS BY SEVERAL U.S. LINES, MAY HAVE TO CONSIDER ACTION UNDER SECTION 19 OF U.S. MERCHANT MARINE ACT OF 1920. THIS ACT AUTHORIZES FMC TO TAKE ACTION ALONG THE LINES DETAILED IN SECTIONS 506.8 AND 506.9 OF  
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GENERAL ORDER 33 ENCLOSED WITH STATE A-8430, NOV. 8 1974. (THE FACT THAT GENERAL ORDER 33 IS NOT YET IN EFFECT DOES NOT PREVENT FMC FROM TAKING SUCH ACTION UNDER THE 1920 ACT). PHILIPPINE FLAG PARTICIPATION IN OUR BILATERAL TRADE IS SMALL, AND GOP OFFICIALS MAY THEREFORE SCOFF AT IMPACT OF RETALIATORY ACTION BY U.S. FMC VIS-A-VIS PHILIPPINE FLAG FLEET. GOP SHOULD REALIZE, HOWEVER, THAT WERE

DECREE 667 TO RESULT IN EXPANSION OF PHILIPPINE FLAG SERVICE TO THE U.S., ITS EFFECTIVENESS COULD BE GREATLY DIMINISHED BY POSSIBLE FMC ACTION.

4. GOP DECREE 667 MAY ALSO MAKE PHILIPPINES SUBJECT TO PROVISIONS OF SECTION 301(A) OF U.S. 1974 TRADE ACT WHICH STATES, "WHENEVER THE PRESIDENT DETERMINES THAT A FOREIGN COUNTRY...ENGAGES IN DISCRIMINATORY OR OTHER ACTS WHICH ARE UNJUSTIFIABLE OR UNREASONABLE AND WHICH BURDEN, RESTRICT, OR DISCRIMINATE AGAINST U.S. COMMERCE,...THE PRESIDENT SHALL TAKE ALL APPROPRIATE AND FEASIBLE STEPS WITHIN HIS POWER TO OBTAIN THE ELIMINATION OF SUCH RESTRICTIONS..." AND STATES, FURTHER "FOR THE PURPOSES OF THIS SUBSECTION, THE TERM "COMMERCE" INCLUDES SERVICES ASSOCIATED WITH THE INTERNATIONAL TRADE".

5. DEPARTMENT HOPES ISSUE CAN BE RESOLVED WITHOUT RESORT TO RETALIATORY MEASURES AND BELIEVES OUR EFFORTS TO GAIN RESCISSION OF THIS ACTION MIGHT BE HELPED IF GOP BECAME AWARE THAT THE PROBLEM IS NOT EXCLUSIVELY A BILATERAL ONE WITH THE U.S. HOWEVER, WE DO NOT WISH TO WAIT FOR A COORDINATED APPROACH, WHICH MIGHT ALSO HAVE THE DISADVANTAGE OF MAKING THE GOP FEEL IT WAS BEING GANGED-UP-ON.

6. FOR MANILA: EMBASSY, DRAWING UPON ABOVE, SHOULD INFORM GOP AT HIGHEST APPROPRIATE LEVEL OF USG CONCERN OVER THIS NEW DISCRIMINATORY MEASURE; SHOULD ADVISE GOP THAT DEPARTMENT AND FMC UNDER HEAVY PRESSURE TO TAKE RETALIATORY ACTION UNDER U.S. LAWS CITED ABOVE; AND SHOULD INFORM GOP OF USG DESIRE TO RESOLVE PROBLEM WITHOUT RESORTING TO RETALIATION.  
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EMBASSY MAY NOTE TO GOP THAT DECREE 667 FURTHER COMPLICATES U.S. TONNAGE TAX ISSUE RAISED IN STATE 48320. EMBASSY ALSO REQUESTED TO ADVISE DEPT. ON PROSPECTS FOR AND LIKELY EFFECTIVENESS OF REPRESENTATIONS BY OTHER GOVERNMENTS.

7. FOR MANILA: RE PARA 4 MANILA 2937, EMBASSY CORRECT IN DISCOURAGING BILATERAL U.S./PHILIPPINE APPROACH AS INCONSISTENT WITH U.S. POLICY AND SHOULD CONTINUE TO DO SO. (NOTE ALSO THAT U.S. AGREEMENTS WITH OVER 30 OTHER NATIONS PROVIDE FOR EITHER NATIONAL OR MOST FAVORED NATION TREATMENT ON SHIPPING).

8. FOR MANILA; IN ORDER TO MORE ACCURATELY GAUGE THE USG RESPONSE, DETAILED INFORMATION IS NEEDED ON EXTENT

OF PHILIPPINE-FLAG SHIPPING TO U.S. AND TO OTHER  
FOREIGN PORTS; CARRIAGE BY U.S.-FLAGS AND 3RD FLAGS;  
AND AN INDICATION OF THE PROSPECTS FOR THE INCREASE OF  
PHILIPPINE-FLAG PARTICIPATION IF DECREE 667 TAKES  
EFFECT.

9. FOR OTHER ACTION ADDRESSEES: REFTELS A AND B  
BEING REPEATED FOR YOUR BACKGROUND. YOU SHOULD  
DISCUSS PROBLEM WITH APPROPRIATE HOST GOVERNMENT  
AUTHORITIES, ASCERTAIN THEIR VIEWS, AND DETERMINE  
WHAT ACTION THEY MAY BE INCLINED TO TAKE VIS-A-  
VIS THE GOP. INGERSOLL

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, MARINE TRANSPORTATION, MARITIME LAW, SHIP REGISTRY, TAX RELIEF, GOVERNMENT REACTIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 MANILA 3041, 75 MANILA 2937, 75 MANILA 2498  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 APR 2003 by ShawDG>; APPROVED <20 MAY 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SHIPPING: PHILIPPINE DISCRIMINATORY MEASURES  
**TAGS:** EWWT, EEWHT, ETRD, RP, US, FMC  
**To:** MANILA MULTIPLE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006